

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

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DRAFTED BY EB/FTD:AJWILLIAMS:HM

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

C O N F I D E N T I A L STATE 152266

E.O. 11652:GDS

TAGS: ETRD, RP

SUBJECT: COTTON CONTRACTS

REF:A.MANILA 8750 B. MANILA 8622

1. REGARDING REF A PARA 3, WE APPRECIATE THAT COTTON
IMPORT AND EXPORT COMPANY (CIEC) AND YUPANGO WERE DIS-
CUSSING TERMS ON 7500 BALES IN ANNEX PRIOR TO SIGNING
OF ASSURANCES. HOWEVER, CIEC CLAIMS THESE DISCUSSIONS

WERE INCONCLUSIVE AND CONTRACTS IN QUESTION WERE NOT RPT
NOT AMENDED. YUPANGO IS CLEARLY ATTEMPTING TO FORCE A
DE FACTO RENEGOTIATION OF CONTRACTS IN ANNEX BY
ALLEGING QUALITY PROBLEMS ON COTTON DELIVERED IN THE
PHILIPPINES ELEVEN MONTHS AGO. IN SUCH A SITUATION, WE
DO NOT RPT NOT UNDERSTAND HOW NEGOTIATED SOLUTION (AS
SUGGESTED PARA 4 REFTEL A) IS POSSIBLE WITHIN CONTEXT
OF DBP ASSURANCES WITHOUT VIOLATING THOSE ASSURANCES
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WITH ALL THAT IMPLIES FOR OTHER MILLS AND CONTRACTS. WE

WOULD WELCOME ANY SPECIFIC RECOMMENDATIONS EMBASSY HAS IN THIS REGARD. EVEN IF ALLEGED QUALITY PROBLEMS DID EXIST WITH FORMER SHIPMENT, THIS DOES NOT RPT NOT RELIEVE DBP FROM OBLIGATIONS UNDER ASSURANCES.

2. REQUEST EMBASSY MAKE FOLLOWING PROPOSAL TO DBP IN HOPE OF ENABLING BANK TO CHANGE POSITION: CIEC WILL GIVE DBP AND/OR YUPANGO WRITTEN STATEMENT AGREEING TO IMMEDIATELY ARBITRATE ANY QUALITY DISPUTE ON 7500 BALES ON ANNEX AND FURTHER AGREEING TO PAY EXPEDITIOUSLY ANY AWARD DUE MILL AS RESULT OF SUCH ARBITRATION. THESE PROVISIONS ARE, IN EFFECT, ALREADY IN CONTRACT, BUT PRESUMABLY IT WOULD REASSURE DBP AND YUPANGO THAT NO QUALITY PROBLEM WILL OCCUR ON 7500 BALES.

3. WE WOULD APPRECIATE EMBASSY INQUIRING WHEN L/C'S WILL BE OPENED ON CONTRACTS HELD BY INTERNATIONAL TEXTILES AND UNITED ASIA MANUFACTURING COMPANY DISCUSSED REF B. INGERSOLL

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